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**Metropolitan Water Reclamation District of Greater Chicago**

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April 2, 2004

Via Fax at (312) 240-4765

Mr. Ralph Barbikoff  
Peoples Energy  
130 E. Randolph Drive  
Chicago, IL 60601

Re: Peoples Energy's Request to Enter District Land to Install Natural Gas Facilities  
at 3152 South California Avenue in Chicago, IL

Dear Mr. Barbikoff:

I received your March 23, 2004, letter to Mr. John Koty regarding RSI and its request for natural gas services at its leasehold site at the subject location. Your letter indicates that Peoples Energy is ready, willing and able to provide natural gas service to RSI as soon as RSI provides Peoples Energy with reasonable access to its site.

As you know, the Metropolitan Water Reclamation District of Greater Chicago owns the land upon which Peoples must install its natural gas facilities. This particular area of land is not under lease by RSI, but is rather under lease by a third party, Connelly-GPM, Inc. It is therefore not possible for RSI to "provide Peoples Gas with access to the property." Access must be granted by the District. The District is willing to grant such access to Peoples Energy. Additionally, your March 23<sup>rd</sup> letter to John Koty addresses specific concerns of Peoples Gas with the District's easement agreement. RSI and John Koty are not in a position to negotiate or address specific provisions in the District's easement agreement. Rather, the District must correspond with Peoples Energy on such issues.

Accordingly, below are the District's comments to Peoples Energy's concerns outlined in your March 23<sup>rd</sup> letter as follows:

1. Attached is the Exhibit of the site and the client information referred to in the easement.
2. The District does not, in any case, grant perpetual easements. Rather, the easement would have to be extended after 36 years.

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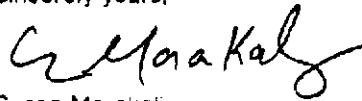
3. Staff will recommend to the District's Board of Commissioners that the easement fee be nominal (\$10.00). Also, I am unaware of any easement granted by the District that is subject to real estate taxes. Although the easement provides for Peoples to assume responsibility for such payments, the language is written "in the event" such taxes or assessments are imposed, then the easement grantee will assume those liabilities. As stated above, I am unaware of any easement granted by the District for utilities that have been assessed by the County Assessor and tax liability has been imposed.

As far as insurance, the District must protect itself and would be remiss as a landowner if it did not require such protection.

4. The intent of the environmental provisions is to set forth the obligations that Peoples Energy is already liable for under the law. The District is not trying to impose any liabilities upon Peoples Energy other than for any acts or omissions caused directly by Peoples Energy or its agents or assigns. Peoples Energy will not be expected to assume liabilities or indemnify the District against acts caused by the District.

I would like to point out that Peoples Energy has entered into the District's standard easement form on numerous other occasions. The current instance should not be an exception. The District is, however, willing to address any further concerns of Peoples Energy.

Sincerely yours,



Susan Morakalis  
Senior Assistant Attorney

Enclosures

cc: John Koty (Via Fax 708-460-2157)  
Elizabeth Ritscherle (Via Fax 312-849-8787)

SM:bb